

APPENDIX E

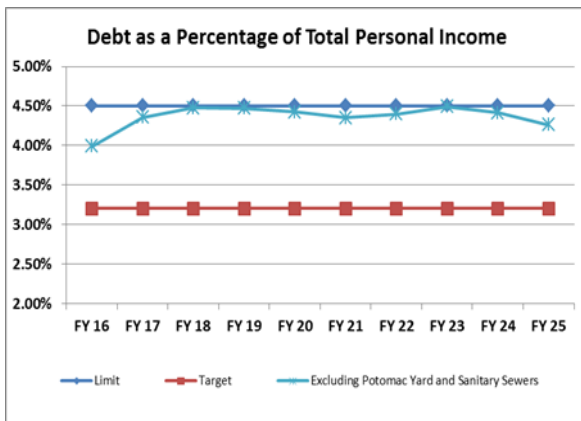
DEBT SERVICE RATIOS

DEBT SERVICE RATIOS

The following ratios represent the General Fund, or tax rate supported portion of debt issued by the City for city-wide capital needs. ¹These ratios are based on the City Council Approved FY 2016 – 2025 CIP.

Debt as a Percentage of Total Personal Income

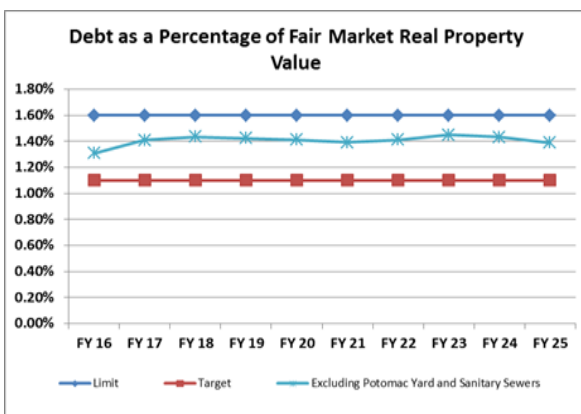
Target = 3.2 percent; Limit = 4.5 percent; FY 2016 = 3.99 percent



This percentage is a measure of the capacity of citizens to finance tax-supported debt. A lower percentage means that taxes required to repay debt represent a smaller portion of the average citizen's income. Based on the City Council Approved FY 2016 - 2025 CIP, and existing debt policy guidelines there is little capacity for additional borrowing in the ten-year plan, as the debt ratio bumps up against the limit in fiscal years 2018, 2019, and 2023.

Debt as a Percentage of Fair Market Real Property Value

Target = 1.1 percent; Limit = 1.6 percent; FY 2016 = 1.31 percent

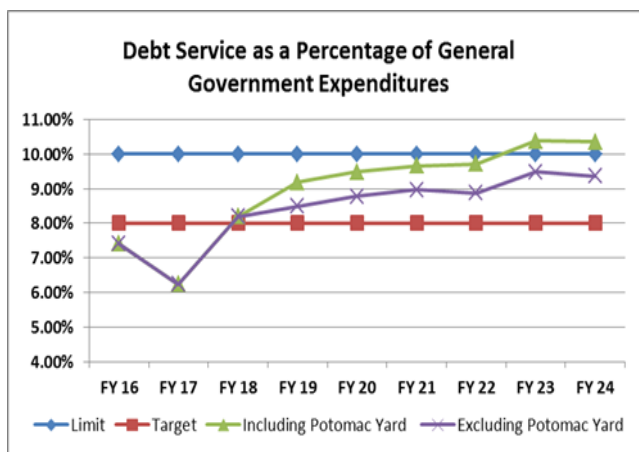


This ratio indicates the relationship between the City's debt and the full value of real property in the City as assessed annually at fair market value. It is an important indicator of the City's ability to repay debt because real property taxes are the primary source of the City's revenues used to repay debt. A small ratio is an indication that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations. Based on the City Council Approved FY 2016 - 2025 CIP, this ratio is over its target and near its limit for all fiscal years.

¹The analysis of debt ratios excludes both Sanitary Sewer and Potomac Yard debt service. Sanitary Sewer debt service is paid through the fee-funded Sanitary Sewer Fund, while Potomac Yard debt service is paid from Special Tax District revenues, incremental property value growth in Potomac Yard, and development contributions.

Debt Service as a Percentage of General Government Expenditures

Target = 8.0 percent; Limit = 10.0 percent; FY 2016 = 7.41 percent



This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget. There is an important distinction in this ratio that is referring to General Government expenditures, and not General Fund expenditures. Based on the City Council Approved FY 2016 - 2025 CIP, this ratio is projected to be near its target in the next three years and nearly reaches its limit by FY 2024.